GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:589
ANSWERED ON:27.04.2001
FRAUD CASES IN BANKS
RAGHUNATH JHA

Will the Minister of FINANCE be pleased to state:

to the reply given to Unstarred Question No.5317 dated December 22, 2000 and state:

(a) the reasons for cases of frauds continuing in public sector banks despite issuing of comprehensive guidelines by RBI in 2000-2001;

(b) the reasons for the RBI not coming to know of the discounting of bills by Madhavpura Mercantile Cooperative Bank leading to a huge security scam; and

(c) the action taken by the private/public/ cooperative banks against the erring officials of their banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b) & (c) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.589 FOR 27.04.2001 REGARDING F CASES IN BANKS TABLED BY SHRI RAGHUNATH JHA.

(a):- Reserve Bank of India (RBI) has reported that some of the factors responsible for the continued perpetration of the frauds against banks include large scale expansion/ diversification of banking business bringing in its wake dilution of quality of various services and weakened control and supervisory mechanism in banks, breach of faith by constituents of banks, arrears in balancing of books of accounts and non-reconciliation of inter-branch accounts, delay in investigation by police/CBI, delayed punitive action due to long drawn legal procedures which emboldens fraudsters, changed social ethics and erosion of social values.

(b):- The irregularities in Madhavpura Mercantile Cooperative Bank Ltd.(MMCBL)do not relate to discounting of bills. The MMCBL had extended large finance to share and stock brokers disregarding the RBI guidelines. RBI has reported that large scale irregularities were committed after their inspection of the bank in September/October 1999 with reference to its financial position as on 31st March, 1999.

(c):- In the case of MMCBL, RBI has filed a criminal complaint in the Court of Chief Metropolitan Magistrate, Ahmedabad against the bank, its Chairman as well as its Managing Director on 14th March 2001 under the Banking Regulation Act and RBI Act for having made false statements to RBI. Bank of India have registered a complaint with CBI, Mumbai alleging that thirteen pay orders of MMCBL tendered by Ketan Parekh group of companies amounting to Rs.137 crores which were purchased/ discounted by Stock Exchange Branch of Bank of India and sent for clearing were returned unpaid because MMCBL did not participate in the clearing. The amount was siphoned off by these companies. Bank of India has suspended an Assistant General Manager and a Deputy Manager of their Stock Exchange branch. The CBI has arrested Shri Ketan Parekh and some officials of MMCBL.